

A SURVEY OF CIGAR MARKETING
IN AN URBAN CENTER

by
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THESES

A SURVEY OF CIGAR MARKETING

IN AN URBAN CENTER

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Business and Engineering Administration

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Professor A. L. Merrill
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Dear Sir:

In partial fulfillment of the requirements for the degree of Bachelor of Science, I hereby submit a thesis entitled "A Survey of Cigar Marketing in an Urban Center."

Respectfully yours,

Eric P. Newman

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Cambridge, Massachusetts

May 25, 1932

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**INTRODUCTION
AND
SUMMARY**

I N T R O D U C T I O N

PURPOSE

The object of this thesis is to investigate the marketing of cigars in an urban center and to study the factors affecting cigar sales as they apply to the industry at the present time. There is an attempt to cover the channels of distribution and advertising from the manufacturer to the consumer in an effort to determine the type of readjustment in the cigar business which will take place when the turbulent methods of today subside.

Conclusions drawn from a brief investigation of this type are not specifically applicable to any given company, as there are too many ways of conducting successful enterprises in cigar manufacturing, as is being demonstrated. Nevertheless the trend in the industry is to eliminate manufacturers very rapidly and those whose methods are of a mediocre sort will not be able to keep the pace of the remainder. Cigar marketing procedure is easy to copy quickly and original ideas are mimicked and improved as a general practice. The result is an economic waste to the industry at large, and the nature of this thesis is such as to try to point out such unnecessary and inefficient practices.

The circumstances which prompted this investigation were the result of an apparent peculiarity in market-

ing methods of cigars, as the author then saw them; and in trying to determine why, as a potential consumer, he was so impressed, this material was collected from the point of view of an outsider.

SCOPE

The scope of this thesis is limited to an urban center, using Metropolitan Boston as a typical market for cigars. The national aspects of the cigar industry which fall inside this urban community are included in this investigation, along with certain national trends which by their nature can be assumed to be happening in this district.

The parties which were interviewed include the following units in cigar marketing:

1. Manufacturers
2. Manufacturers' Sales Agencies
3. Manufacturers' Advertising Media
4. Wholesalers
5. Chain Store Retailers
6. Independent Retailers
7. Consumers

The present conditions in cigar marketing are rather different from the past and, as is the case in many industries at present, historic records are of little importance. Information which has been assembled is not more than five years old in the most part and great emphasis has been on present conditions in the light of the future rather than the past.

The details of specific manufacturers' businesses have not been sought, nor can they be obtained. Confidential reports to "Tobacco", a trade magazine, give actual facts for assembly into general statements, but do not in any way release details relating to district sales, production costs, or success of marketing plans. Nevertheless governmental statistics have been used where possible, along with other definite figures which are available.

METHOD OF PROCEDURE The cigar marketing investigation which was undertaken substituted personal contact for written material wherever possible. Published information was made use of in trade publications, current magazines, and governmental data. Letters were written to advertising media of a national character, but the remainder of the data was collected entirely by interview. The fact that the survey was conducted within the local area of Boston made views of those who were definitely concerned very valuable.

The mass of facts and opinions which were presented to the author were broken down into the units in cigar marketing and assembled under these headings. In this way the points of view of men in each step in marketing could be analyzed into individual topics, rather than presented as complete views of the entire field from one outlook in the marketing procedure.

As each interview usually opened a wider field to investigate, allowance had to be made for work which was suggested during the course of the survey.

Conclusions were drawn from the assembled data, taking into consideration the attitude of the persons who gave the information. Material which was overly prejudiced was discarded, and an attempt was made to "apply the grains of salt" where the person interviewed was inclined to make a spectacular impression.

S U M M A R Y

In the attempt to conquer the problems in cigar marketing the owner of the brand name is faced with the full responsibility for success. A study of the consumer and of his cigar smoking habits (Part I) is the guide by which all the selling schemes must be directed. The industrial world has provided sales outlets for the cigars; advertising media are in abundance for making brand known to consumers; tobacco smoking is on the increase; manufacture of cigars has been approved and simplified; there is no founded objection to cigars as the best form of tobacco - it appears that the thorough pessimism is hardly grounded on anything more than the development of mistaken consumer habits and errors in the cigar industry which can be rectified in time. The basic fundamentals of cigar marketing are still present with a revolution in price, manufacturing methods and consumer habits to which the manufacturer must adjust himself.

After an understanding of the consumer conditions the manufacturer determines his own problems of producing the article for the market (Part II). The full benefits of falling tobacco prices and machinery savings in manufacturing cost will be reflected in policy and emphasis should be given to a correct tax adjustment on tobacco imports and on manufacture. The maker of cigars must know

where he stands and what he needs to compete vigorously with other forms of tobacco and not continue taking cigar business away from fellow manufacturers.

In linking the consumer with the manufacturer there seem to be two channels of approach, through advertising and selling propaganda (Part III) and through the personal sales connection with the units in distribution (Part III and Part IV). In the trend toward nationalization distinct delays will be encountered and advertising with sound, vigorous programs still needs to be accompanied by distribution pressure. Local cigar manufacturers will probably find the defensive position as strongest while national units will be forced to go forward with progressive and carefully budgeted methods for obtaining brand predominance.

BODY
OF
THESIS

PART I

THE CONSUMER OF CIGARS

THE SMOKING HABIT Smoking is not a fad to be adopted one month and abandoned the next. Once a man takes to smoking he rarely discontinues the practice and it usually becomes a life long habit with him. In times of stress a man may be less indulgent, but it is not considered an expensive luxury and up to the present depression there has been little curtailment of the amount spent for smoking.

Cigars held their leadership until shortly before the war when the prejudice against cigarettes was broken down. The war popularized cigarette smoking and cigarette sales have grown to a gigantic volume, while the cigar smoking habit has not fluctuated to any great extent until the present. Even before the cigarette came into the picture there was no specific drive for increased cigar consumption, and as the population increased cigars held constant volume with a loss per capita.

Men and women begin smoking in their early maturity. Formerly when the boys began to smoke they were handed cigars and coughed their way through them until they learned to smoke them. At present the tendency for boys is to begin on the milder form of tobacco, the cigarette, and then learn to enjoy cigarettes before attempting cigars.

From the cigar manufacturers' point of view this is giving the young person a chance to acquire a smoking habit before being exposed to all the competing forms of tobacco. As a result of being a second choice in the beginning the cigar loses its opportunity of being able to hold a smoker to cigar smoking, once he has given it a fair chance. Men who have acquired the cigar smoking habit are permanent customers, and it is for that reason that there will always be a demand for cigars.

Although women in foreign countries smoke cigars there has been no attempt to introduce the habit in the United States with the result that half the population is not in the market. One manufacturer nevertheless, made a small gold-tipped cigar designed for the woman smoker, but the cigar trade has frowned on any attempt to create a market for cigars among women smokers. The result has been that manufacturers have stressed the masculinity of cigars, as opposed to the effeminacy of cigarettes, in the hope of securing more actual smokers of cigars with the women insisting men smoke the cigar. Eliminating those who have not reached smoking age we have at present about 40,000,000 men with potential cigar consuming power.

The extent to which men smoke is varied by the conditions in which they are placed. Twenty-five per cent are not smokers by choice either through distaste of tobacco or no need for it. Social pressure often forces smoking on men as the informality of present intermingling of individuals uses the offer of a smoke as a graceful opening to satisfy personal

pleasure. The refusal of a smoke is considered as causing friction by some, but others become accustomed to thank for but deny the offer. The smoking habit is therefore acquirement of the majority and since it matters little physically whether one smokes or not in a moderate manner, the least friction is created by following the crowd.

The stress on athletic condition has retarded men from smoking in an effort to keep physical fitness. The cigar has lost much by this as there is less chance of a firm habit being formed and more of an indifference. The possibility of forming a characteristic habit past the habit formation age is, according to some, as difficult as stopping a habit like smoking.

Formerly a large majority of people rode to work in the street cars where they were not allowed to smoke except in the rear seats. This prevented many who wished to smoke from doing so, but with the advent of the volume of automobile travel, open busses, service cars, and train service to and from work an opportunity was opened for smoking.

Prohibition injured smoking of cigars severely, as between drinks men would often smoke and rest while they talked. Removal of this convenient manner of smoking cigars has crushed the industry as much as any single personal factor.

Appealing to the women is an indirect way of appealing to the men. As cigarettes are consumed by women, (it is said that 70% smoke for effect) the companionship has resulted in the men having mutual tastes. The cigarette is an

article all can share and the cigar smoker is often forced to take so many cigarettes that he acquires a taste for them. It seems likely that this preference may not be unrelated to increased use of cigarettes by men and a consequent fall of cigar sales. Since it is a man's social duty to offer cigarettes to women, it is much more convenient to carry only the type and brand of tobacco they desire. Among more mature men this does not exist and once having enjoyed cigars they will find an easy way to see that others can smoke cigarettes if they choose.

A man is always generous with a cigar. "Try my brand," is the expression which has carried forward new brands and has won many who are on the border line between cigars and cigarettes to the consumption of the former. The cigar is the finer smoke and men seem to need opportunity enough to realize it. The cigar habit cannot form as quickly as the cigarette habit, but once having formed it it is not easy to change. The kindness in giving away a good cigar is appreciated and the ten cent cigar makes much more of an impression on another than a cheaper one. Social prestige does much to uphold expensive cigars.

A moment to spare and it is much easier to enjoy a cigarette instead of a cigar. The time factor plays a big part in what you can smoke. The bustle of business and the rushing about in all activity does not give the ease and calm which cigar smoking often demands. The cigar cannot be thrown away in a moment's notice as can the cigarette and cigar ashes cannot be dropped anywhere without causing noticeable dirt.

A man is much more likely to enjoy a cigar at home in the evening or when he is reading or resting. Offices, though, do not always allow smoking and a great many occupations are such that smoking either destroys sales appeal, discomforts others, endangers property, or tends to slow up physical labor. Smoking is unnecessary and often in establishing it in places where it satisfies some, due regard must be taken of external conditions instead of personal desires.

A short smoke is satisfactory to many. As a nervous outlet the pleasure is sometimes momentary and a longer smoke is unnecessary. The cigarette fulfills this need for some and the little cigars for others. The man who smokes the little cigar "between the acts" or at any intervals he has, enjoys a good smoke for a short time only and is not the type that would smoke one cigar after another. Real cigar smokers do not fail to take longer intervals for their smoke and are quite satisfied to wait until they find time.

Cigar smoking is seasonal. The two main peaks are summer and the period following the holiday season. The weather is a large factor in whether a man wishes to smoke a cigar, as the comfortable and calm condition of summer usually has more appeal than cold, damp or windy days. Winter life has more activity and the leisure due to the effects of the heat in summer stimulates the desire for cigar smoking. The reason for excessive smoking after the holiday season is

because cigars are an appreciated, dignified Christmas present for a man and are readily consumed. When the smoker has cigars available he will be very apt to smoke more, and knowing that he has been given a perishable commodity, he consumes them.

The proper relation between production and sales in cigars must be determined in order to understand the effect of seasonality on the industry. In deciding on advertising budgets for given periods, policies must take seasonality into consideration if it is significant in producing brand demand. From the graph in Appendix A it may be seen that there is a definite lag between sales and production, or else cigars would be produced at a constant rate. The perishability of the commodity forces the manufacturers to govern production by actual sales figures and not set any definite schedules. It appears that there is a forty to sixty day lag between stamp purchase and actual sales, but orders taking goods from the factory do not show sales trends immediately.

In order to get seasonal fluctuations of purchasing habits the sales of three chain stores over a four year period were reduced to indices. The basis of 100 was used representing the monthly averages of each individual year from 1925 to 1928 and a combined index was made by averaging the monthly indices.

The following figures show the seasonal trend as it affects sales:

| <u>Month</u> | <u>1925</u> | <u>1926</u> | <u>1927</u> | <u>1928</u> | <u>Aver.</u> |
|--------------|-------------|-------------|-------------|-------------|--------------|
| January | 86 | 83 | 87 | 84 | 85 |
| February | 84 | 83 | 89 | 89 | 86 |
| March | 92 | 92 | 100 | 99 | 96 |
| April | 95 | 97 | 101 | 93 | 96 |
| May | 101 | 104 | 101 | 102 | 102 |
| June | 95 | 99 | 98 | 101 | 98 |
| July | 96 | 101 | 100 | 94 | 98 |
| August | 100 | 96 | 95 | 97 | 97 |
| September | 100 | 99 | 95 | 98 | 98 |
| October | 106 | 105 | 100 | 100 | 103 |
| November | 96 | 97 | 94 | 100 | 97 |
| December | <u>149</u> | <u>144</u> | <u>140</u> | <u>144</u> | <u>144</u> |
| | 1200 | 1200 | 1200 | 1200 | 1200 |

From the above figures May and October show the increased buying inclination when the weather is very comfortable. Perhaps these slight increases may be due to the general change in the type of weather from spring to summer and from summer to fall. Studying the figures as a whole, the conclusion may be drawn that seasonal factors are hardly enough on which to make any specific policy changes except at Christmas.

Smokers are not all attracted to a single brand of cigars. Too many manufacturers believe that once they have obtained a smoker of their brand he

is won and is a permanent customer. This certainly is not true for in cigars as well as other goods variety offers new interest. Those smokers who fall unconsciously to the habit of smoking one brand are not in as great number as it would appear. You rarely hear of an individual refusing to buy at all or not accepting as a present a cigar of a different brand than that to which he is accustomed. Cigarettes have developed the extreme likes and dislikes which, though blindfold tests indicate are artificial, make smokers demand one and one brand only at all times. Cigar smokers are not prejudiced to any extent and being mature men are reasonable in their tobacco judgment.

To illustrate that brand preference is not rigid, many smokers are found to smoke a different make of cigars during the working day than in the evening. This is not a matter of economy but a better appreciation of a fine cigar in a calm mood. The enjoyment from both brands is equal as each fulfills its purpose. This is especially true among doctors who consume a considerable volume of cigars.

It is hardly an insult to a man's intelligence to try to change his brand. Many retailers know that if they force a new or different brand on a smoker which is not satisfactory, they will lose a customer - but they do not know that it is possible with technique and

care. If a man is dealt with in due consideration of his tastes, brand preferences may not be as strong as they are apparently thought to be among cigar smokers.

The cigar market is established and controlled by many personal factors. The desire to smoke cigars is distinctly present, along with the sales resistance to any commodity. A satisfied customer returns for additional sales while others never get a chance to smoke cigars enough to buy them. Cigars are a taste proposition, similar to cheese and coffee, and cannot guarantee specific results to promote sales. The marketing problem of cigars presents itself as a highly complex problem, apparently dependent on uncontrollable whims of the smoker, but actually a deceptive sales promotion task for the cigar industry.

PRICE AND VOLUME How much is a cigar worth. Throughout economic changes in the country's business, the article of luxury seems to hold its price but not its volume, but cigars are a peculiar type of luxury, seemingly independent of what people have to spend. Prosperity and depression do not swing the cigar smokers back and forth between expensive and cheap cigars to any marked effect, and volume trends over the 1927-1932 period, with a boom and slump in business, seem to be indicative of a constancy of the smoking habit and general trends. (See graph in Appendix A).

The volumetric expansion and contraction in the cigar industry is easily available for statistical reference, since the government taxes each cigar manufactured. The resulting dependence on volume figures has shielded from many of the cigar manufacturers what is actually happening in the industry. Volume does show how much people are smoking but the objectives of profit and actual sales income have often been omitted when statistics are discussed.

Surveys have shown that the average cigar smoker consumes over 1,000 cigars per year. The consumption of between three and four a day is rather common and, though some smokers take one cigar a day and others smoke continually, the average is not calculated from a very dispersed group of figures. With cigar production at 6,500,000,000 per year it appears that 5% of the population are smoking cigars regularly, being 15% of those eligible for smoking and 20% of those males who consume tobacco products.

Is this 20% of the smoking males supposed to furnish more than 20% of the tobacco income? If the class of people to whom cigars are sold are more wealthy, cigars are more of a luxury than other tobacco products. The picture of the board of directors' meeting, with the air thick with cigar smoke, is too often thought of as the class which smokes cigars. Undoubtedly cigars range in price and quality to satisfy expensive tastes -

cigarettes are available at all prices also; but the big bulk of the sales is to a full cross section of tobacco consuming people.

There is nothing so remarkable about cigars that they should yield a highly disproportionate income in tobacco products as a continual condition. Cigars are not a fad and style has not forced people to pay more for the privilege of smoking cigars. Cigars are merely a better grade of tobacco in a neat, compact unit. Superiority over pipe tobacco is admitted with the result that the only additional expense that should be paid for cigars over other forms of tobacco is for material quality and neatness of form.

Pipe smoking is considered by many as a fad even though it has come to unusual prominence during the past few years. The admiration of the shape and beauty of pipes seems to indicate that the present condition is just a passing fancy, but since cigar smokers are often pipe smokers at home in the evening, the economy must be an important factor. Both the pipe and tobacco are bought once in a while and the timely outlay of money appears easier on the conscience of the smoker than a continual expenditure for cigars.

Price as distinguished from value in cigars, has a great tendency to establish standards that are convenient to the coinage. Thus five and ten cent cigars have become standard values and they have become more

distinct as the value of the penny in luxury retail purchases has diminished. Experiments have shown that in lowering prices from ten cents to five cents in cigars that there is no great boost in sales until the five cent level has been reached. People are unwilling to consider price changes on luxuries until the change is distinctly noticeable and not just partially so.

It is rather hard to realize how much difference small unit buying makes in the income from sales. Tobacco sales especially do not seem to stimulate economical buying. In cigarette purchasing with prices at 2 packages for 25¢ a saving of at least 15¢ per week can be made, but is it done. Among five-cent cigars with a 6 for 25¢ price statistics show that 76% are bought at 5¢ and 24% at the special price. Even though smokers are not economical, they know the prices far better than the quality of cigars and will be turned away from an independent shop if they see prices different from those in the chain stores.

In an effort to find out the buying habits of smokers retailers have worked out tables from actual figures showing how many cigars will be bought at each price for which they are on sale; i.e., if the same cigars are selling at 10¢, 3 for 25¢, and 5 for 40¢ the number of sales in each group will be known, and wholesale purchasing, price fixing, display and advertising are based on this data.

In showing that cigar prices are falling more and more into two groups, the Class A (Retailing at 5¢ or less) and the Class B (Retailing at between 8¢ and 15¢) volume figures have increased from 96.2% to 96.0% from 1927 to 1932. Quality can be varied easily in a cigar and although the manufacturer can alter his tobacco grade slightly, the smoker must be sure that the brand is reliably constant in material.

Since cigars must be sold to the same customer over and over again and cannot be bought in large lots because of perishability, the public demands a constancy of price as well as quality. If an article is not at the correct price a consumer is as doubtful as if the brand were changed. A buyer wants to be able to put a definite sum on a retail counter and be assured of getting a definite brand of goods. Therefore cigars must have a constant price of some sort which must be a basis for consumer consideration, and though cut prices may be used often, the consumer must still remember the real price of the cigar.

The effect of price cutting is to destroy the real price of the cigar. When the consumer thinks prices have come down permanently there is a loss of goodwill if he cannot get cigars at the price once paid; if at some future time the price goes up, he objects; and price changes make a consumer more critical of the quality and more apt to dislike the cigar.

The cigar, therefore, is still holding its price dignity, while the cigarette is now being standardized at 2 for 25¢. When any retailer in a given community cuts prices below reasonable profit, manufacturers and their wholesale agents refuse to sell to him. Chain stores cannot be treated in this manner, but the "out price cigar store" is being effectively forced to expensive bootlegging of cigars and a resultant loss.

Due to many factors in the industry and in consumer habits the five-cent cigar has been rapidly becoming more and more popular. In the past decade Class A cigars have risen over a billion, while all other classes together have dropped well over a billion and one-half. Though there has been a steady decline in the number of cigars made, the Class A group seems to be holding its volume and increasing, possibly at the expense of the others but perhaps on its own merits. A cheap cigar will attract smokers of other types of tobacco, as the cigar still holds its impregnable dignity.

On the graph in appendix A the twelve-month moving monthly average calculated from the year ending March 31, 1932, shows that the increase in Class A cigar sales has stopped for the present. Class A volume has leveled off and cannot remain in that state while Class C and the total volume is falling rapidly.

The figures will more clearly illustrate the point:

| Period | *Class A | *Class C | *Total |
|-------------------|----------|----------|--------|
| Jan.1927-Jan.1928 | 286 | 208 | 573 |
| July '27-July '28 | 293 | 203 | 571 |
| Jan. '28-Jan. '29 | 301 | 196 | 565 |
| July '28-July '29 | 312 | 192 | 575 |
| Jan. '29-Jan. '30 | 321 | 186 | 571 |
| July '29-July '30 | 323 | 174 | 552 |
| Jan. '30-Jan. '31 | 322 | 150 | 516 |
| July '30-July '31 | 327 | 139 | 507 |
| Jan. '31-Jan. '32 | 332 | 114 | 469 |
| Mar. '31-Mar. '32 | 332 | 107 | 457 |

* Figures in millions per month

The popularity of the five cent cigar has brought cigar smoking into the income range of many. The man who smokes a package of cigarettes a day can enjoy the three or four cigars per day for the same price. More smokes for a given amount of money will retard any change of this kind if it is going to take place, but the five cent cigar, though it has appeared strong before, is the power which will put cigar smoking back on the levels it used to enjoy. Bayuk Cigars, Inc., has just put out packages of five little smokes for ten cents and, hopes to produce cigar smoking among people never before able to afford the expenditure.

The big danger in emphasizing the five cent cigar is losing the trade which already exists for the higher priced cigars. Tobacco is an acquired taste and many times in the history of marketing have consumers been educated to enjoy and cultivate a like for a poorer grade of goods and leave the better goods stranded without a market. The reliance on the fact that cigar smokers will be always able to tell good tobacco from mediocre is rather risky, for in noting the average smoker's conception of "mild" and "domestic", as applied to cigars, it is plainly evident that individuals are not judges by themselves. If mild cigars mean a light tobacco wrapper with the word, "claro" or "colorado claro" on the box, (for this reason light Summatra wrappers carry a large premium) and the craze for imported articles has often led smokers to buy a foreign name on a domestic brand - then, it can hardly be said that the cigar smoker is a judge of quality.

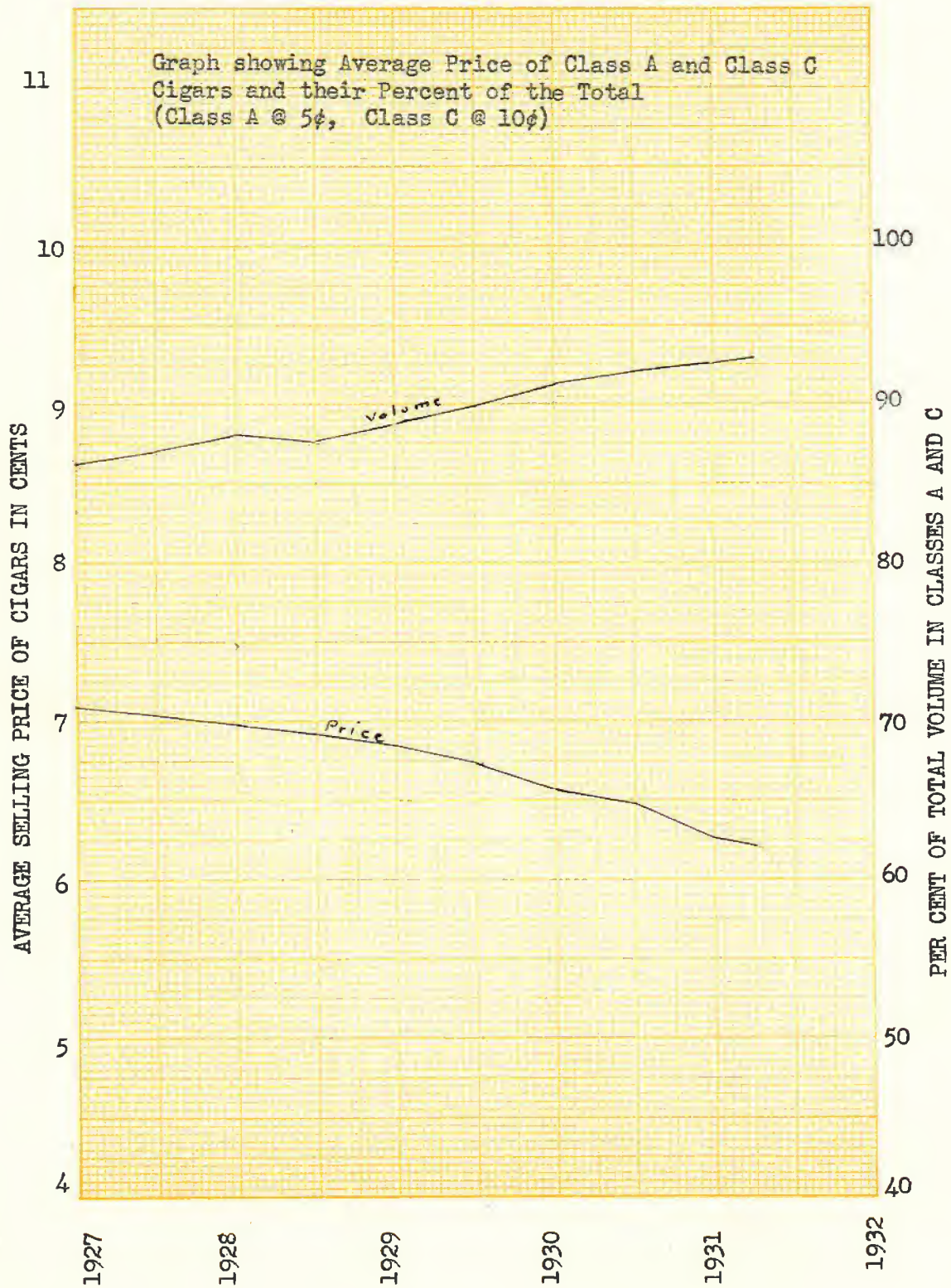
The choice therefore comes between running the cigar business into the ground upholding high cigar prices and superior quality or teaching the the public new tastes so that good cigars can stand firmly on economic levels with other tobacco products. The five cent cigar will test the issue after the readjustment in the industry coupled with unimpedimented change to machine manufacture has taken place. The danger, then, of losing the higher price cigar trade may be the rescue of the industry.

Cigar smokers are being taught to underestimate their judgment of tobacco and form their buying habits through those of their friends and through advertising. Where advertising has affected one gullible individual, another person whom advertising could not possibly affect is swayed by the opinion of the first party. Thus tobacco quality judgment is being crushed by advertising and, though it didn't exist in any sound measure, the brand name has been substituted for material quality.

In determining the price consumers are paying for cigars the following graph shows the rapid fall which is taking place.

Taking Class A and Class C volumes of production and figuring them as retailing at 5¢ and 10¢ respectively, it may be seen that the average price of nearly all cigars has fallen from 7.10¢ in 1927 to 6.22¢ in 1932. The fall has been steady and is not the result of any fluctuation in the value of the dollar during the boom and depression which is included. A change of this kind over as short a period as five years is not one of a variation from normal but an actual trend. A cigar is still worth what it used to be, but cigar sales are not made on value but on demand at a set price.

Cigar manufacturers must to a great degree base their business on consumer habits. There is no use try-



ing to force people to change their minds. The cigar is dealing with a commodity which is bought as a pleasure and a great deal of its success depends on keeping the financial side out of the mind of the consumer. Volume cannot be increased by lower prices in themselves, nor can it be crushed in a short period by higher prices. The consumer must be swung slowly from one condition to another and it is for that reason that advertising becomes so powerful in producing cigar sales. Wherever the consumer cannot be influenced the manufacturer should yield; for the producer of cigars is swinging a mass over which he has little power and its inertia will carry him to failure or in the direction to which things are going.

PACKAGING The perfection of cellophane has been a great help to the cigar industry in establishing confidence in cleanliness. It has assured the purchaser that they have not been handled and are in the same condition as when they left the factory. The idea of freshness has been emphasized to such an extent in all articles which are wrapped in cellophane that cigar sales resistance has been broken by it, since freshness is one of the most important requirements of a cigar.

The cigar dealer used to reach into his counter and take out the cigar box for a customer to select from, eliminating excess handling; now the courteous retailer hands the purchaser the amount bought or else lays a few cigars on the counter for the buyer to select from.

putting the remainder back into the box from which they were taken. The customer is more satisfied to handle them roughly as cellophane prevents surface tearing and crushing, and the dealer can use less space for his cigars because he does not have to bring out each box.

The advantages of cellophane in cigar marketing, as will be expanded in following portions are:

1. Dealer can keep a box longer in his store, resulting in more brands and small outlets.
2. Dealer can put cigars on top of the counter.
3. The dealer will have no complaints as to unrevelled wrapping or otherwise damaged goods.
4. The manufacturer will have a greater lag between selling and producing cigars.
5. More retail outlets can exist, as consumers are sure of cleanliness.
6. The appearance of the cigar is enhanced.
7. The smell of tobacco is reduced, when cigars are carried in the pocket.

Packaging of cigars has always been a considerable expense in distribution as the wooden box must be strong, light and porous. The wrapping of each individual cigar, which had been done in foil as a special sales inducement for fine cigars, has been made possible by cellophane. The need of expensive outside boxing is rapidly

diminishing and it depends on consumer buying habits how far we can rely on cellophane retaining freshness.

The volume of cigars purchased at one time has changed distinctly during the last few years. The retail sale of 100 cigars in a box with a reasonable saving for purchases in these quantities is a thing of the past. Humidors are not kept in the home as they used to be, for cigars are too easy to obtain, due to the wide distribution of sales outlets. Another factor in inducing cigar buying in small quantities has been the emphasis on freshness which has resulted in dealers not lowering their prices to buyers of larger quantities except at Christmas. The idea of quantity buying is merely a matter of economy, but where no reduction in price exists there is no tendency for a consumer to purchase large boxes.

The wooden box keeps cigars in fresher condition than paper containers, but if cigars are consumed soon after their purchase it makes little difference what they are packed in. The development of the pack of five and ten cigars has resulted from the small quantity habits. Light cardboard is enough for a pocket-size container, due to the confidence in cellophane wrapping. Continuing further in a cheaper boxing the cheap cigars in units of 25 are being put in heavy cardboard boxes which satisfy all the requirements of the wooden box. Nevertheless the consumer is so used to the "cigar box" that the paper

covering on the outside of the paper box must be printed or lithographed so as to appear as wood. This, like many other peculiar habits of cigar manufacturers, is a refusal to educate the public and follow the customary path of least resistance and most expense. At the rate cigars are being sold, paper boxing seems inevitable as large boxes are not going to be distributed where sales are sluggish.

The paper pack of five has been popularized not only by its convenient form but by the prices which may be applied to the unit. For the five cent cigar the price of 6 for 25¢ has its appeal in that the consumer may purchase the pack and get an extra cigar to smoke as he is leaving the dealer's store. In the ten cent grade of cigars the price of 5 for 45¢ has been successfully used.

The appeal of packs was as a novelty when they first came out as containers for almost all cigars and purchases were made by the public in quantities to get the neat holder. The ten-pack sales have fallen off considerably and even the five-pack trade has not continued as it did at first. The result is that dealers must have both these packages for a consumer and therefore must carry a larger inventory. There is still objection to the pack as being too thin to prevent drying but the cellophane wrapping of the cigars has reduced the feeling against them. At present packs constitute 30% of cigar sales among those brands which are put up in that form.

SHAPE Shapes and sizes of cigars have always fluctuated widely. A manufacturer cannot control a brand without emphasis on shape. Shapes may have transient popularity to a great extent, but in definite localities certain shapes have become standard preferences. In New England the Londres shape has always stood for more than shape, in fact quality. One large New England manufacturer was selling two shapes of cigars, the 2 for 25¢ Londres selling $1\frac{1}{2}$ times as many as the 10¢ shape. The price was dropped on the Londres variety and in a short time Londres were selling 10 times faster than the second shape. The conclusion is, therefore, that the shape, in the mind of the average smoker, is coupled with quality, although both cigars were almost the same. The psychology of shape changes and shape emphasis often means more than price.

Education of the consumer in regard to shape is being practiced in an effort to stress the style of cigars. The long, narrow panatela shape cigar is said to harmonize better with the contour of the faces of young men than do thicker and more bulky ones. The General Cigar Company is using this theme as the basis of an attempt to start young men smoking Robert Burns cigars and continue to hold them as smokers of that brand throughout their lives. S. S. Pierce Company of Boston is putting a flyleaf in the top of each box of cigars showing the different shapes which their Overland brand

is made (see Appendix B).

Little cigars have long been popular with sales of 30,000,000 per month. The 5¢ cigar has converted many smokers of little cigars to large cigars, but there still exists the preference for the small, light, shorter smoke. Most manufacturers make a very small cigar of equal quality to their large varieties, but little cigars are made mostly by cigarette manufacturers.

An outstanding shape can mean more than the brand. The Havana Wine-dipped Crooks have an appeal and an easy recognition factor in that their shape is wiggly or wavy, being pressed into that shape after hand manufacture. Nevertheless, the cigar does not offer a variety of shapes which can distinguish it and shape has meant less and less as the cigars fall into the cheaper grades. Actually, when you analyze the shape situation, there is no real foundation for any selection of shape but idiosyncracies. Size is indicative of the length of the smoke, but standardization along this line has taken place as it has with cigarettes.

Standardization will not exist in shape and size until the cigar business is in fewer hands. The large manufacturers who distribute the cheaper grades of cigars have made a shape which ought to be satisfactory to everyone and the battle to make different sizes popular is a typical example of how the industry has been expending effort disproportionately to where effort

belongs. If cigar brands have to rely on shape to produce sales pressure, they are fighting rather heavy odds.